



Senate

General Assembly

File No. 90

January Session, 2003

Substitute Senate Bill No. 1034

Senate, March 31, 2003

The Committee on Program Review and Investigations reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING REGIONAL SCHOOL DISTRICT GOVERNANCE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2003*) (a) (1) Any town that is a
2 member of a regional school district may, pursuant to a vote of its
3 legislative body, petition the regional board of education to hold a
4 public district meeting concerning the establishment of a regional
5 board of finance to oversee the regional school district budget process.
6 Such meeting shall be held not later than thirty days after receipt of the
7 petition, at which all persons wishing to speak about the possible
8 establishment of the regional board of finance shall be heard. Not later
9 than thirty days after such meeting, the board shall set the date on
10 which referenda shall be held simultaneously in each of the member
11 towns. Such referenda shall be held not earlier than forty-five days
12 from the date of the petition and not later than seventy-five days from
13 the date of such petition. The regional board of education shall

14 immediately notify the town clerk of each member town of the date on
15 which referenda shall be held. Upon receipt of such notice, each town
16 clerk shall immediately file in the office of the Secretary of the State a
17 statement setting forth (A) the question, stated pursuant to the
18 provisions of subdivision (2) of this subsection, to appear on the voting
19 machine ballot labels at the referenda, (B) the date upon which the
20 submitting action was taken, and (C) the reference to law under which
21 the action was taken. The warning of such referenda shall be
22 published, the vote taken and the results of the vote canvassed and
23 declared in the same manner as is provided for the election of officers
24 of a town.

25 (2) The vote on the question shall be taken by a "yes" and "no" vote
26 on the voting machine and the designation of the question on the
27 voting machine ballot label shall be "Shall a regional board of finance
28 be established on (date)?" and the label used shall conform with the
29 provisions of section 9-250 of the general statutes. Such date of
30 establishment shall be no later than ten days after the date of the
31 referenda. If the majority of the votes in each of the member towns is
32 affirmative, a regional board of finance shall be established.

33 (3) A certificate of the results of such vote shall be recorded in the
34 office of the clerk of each member town and a certified copy thereof
35 shall be filed by such clerks in the office of the Secretary of the State,
36 who shall record the same. All rights and powers conferred and duties
37 and obligations imposed by this section, subsection (c) of section 7-392
38 of the general statutes, as amended by this act, section 10-51 of the
39 general statutes, as amended by this act, and sections 4 and 6 of this act
40 upon said boards shall be held to be conferred or imposed upon each
41 regional board of finance as soon as it is established under the
42 provisions of this section. Member towns of a regional school district
43 may by majority vote abolish the regional board of finance after the
44 expiration of two years from the date of its establishment.

45 (4) No regional board of education may be petitioned for the
46 establishment of a regional board of finance pursuant to subdivision

47 (1) of this subsection more than once annually.

48 (b) (1) Not later than ten days after such affirmative vote pursuant
49 to subsection (a) of this section, members to the regional board of
50 finance shall be appointed by the board of finance of each member
51 town having a board of finance or other fiscal authority of each
52 member town of the regional school district to serve a term of two
53 years from the date of such appointment, unless such member's term
54 to the local board of finance or other fiscal authority expires prior to
55 the end of such two-year term. Such appointment shall be from among
56 members of the local board of finance or other fiscal authority and
57 shall coincide with the term of the appointed member to such local
58 board of finance or fiscal authority. Each member town shall appoint
59 the same number of members to said board as the other member towns
60 of the district. The voting power of the members from each town on
61 said board shall be weighted in the proportion, within permissible
62 deviant limits consistent with federal constitutional standards, that the
63 population of each town bears to the population of the entire regional
64 school district as determined by subsection (b) of section 10-63s of the
65 general statutes and shall be subject to the reapportionment provisions
66 of sections 10-63j to 10-63t, inclusive, of the general statutes.

67 (2) Membership of a regional board of finance shall be structured as
68 follows: (A) For a regional school district with two member towns, said
69 board shall be composed of six members, three from each town, of
70 whom one from each town shall be of the minority party; (B) for a
71 regional school district with three member towns, said board shall be
72 composed of nine members, three from each town, of whom one from
73 each town shall be of the minority party; (C) for a regional school
74 district with four member towns, said board shall be composed of
75 twelve members, three from each town, of whom one from each town
76 shall be of the minority party; and (D) for a regional school district
77 with six member towns, said board shall be composed of twelve
78 members, two from each town, of whom one from each town shall be
79 of the minority party.

80 (3) For the purposes of this section, a person shall be deemed to be a
81 member of the political party on whose enrollment list such person's
82 name appears on the date of such person's appointment to a regional
83 board of finance established pursuant to subsection (a) of this section,
84 provided any person who has applied for erasure or transfer of such
85 person's name from an enrollment list shall be considered a member of
86 the party from whose list such person has so applied for erasure or
87 transfer for a period of three months from the date of the filing of such
88 application.

89 (c) In case of a vacancy in the membership of the regional board of
90 finance, unless otherwise provided by charter or special act, the
91 original appointing authority pursuant to subsection (b) of this section
92 shall appoint a successor, in the same manner as the original
93 appointment pursuant to subsection (b) of this section, who shall fill
94 the vacancy for the unexpired portion of the term.

95 (d) Any member town of a regional school district with a regional
96 board of finance established pursuant to subsection (a) of this section
97 shall have the power to provide by ordinance for the appointment of
98 not more than three alternate members to its regional board of finance,
99 subject to the provisions of subsection (b) of this section concerning
100 representation of political parties. Such alternate members shall, when
101 seated as provided in this section, have all the powers and duties set
102 forth in this section, subsection (c) of section 7-392 of the general
103 statutes, as amended by this act, section 10-51 of the general statutes,
104 as amended by this act, and sections 4 and 6 of this act relating to such
105 town for said board and its members. Such alternate members shall be
106 electors and taxpayers of such town. If a regular member of such board
107 is absent or is disqualified, such absent or disqualified member shall
108 designate an alternate to act for such regular member. In the event that
109 an absent or disqualified regular member fails or refuses to designate
110 an alternate to act for such regular member, the majority of the regular
111 members of the local board of finance or other fiscal authority not
112 absent and not disqualified may designate an alternate subject to the
113 provisions of subsection (b) of this section, to act for such absent or

114 disqualified regular member.

115 (e) The members of the regional board of finance shall be sworn to a
116 faithful performance of their duties. No member shall receive
117 compensation for the members services as such, but the necessary
118 expenses of the board, when approved, shall be paid by the member
119 towns.

120 (f) The members of the regional board of finance shall choose one of
121 its members to be chairperson of said board and shall choose a clerk. If
122 such officers are not chosen within one month after the appointment of
123 the board because of a tie vote of the members, the boards of selectmen
124 or chief executive authorities of the member towns of the regional
125 school district that the board oversees shall choose such officers from
126 the membership of the board. At all meetings of the board, two-thirds
127 of the members of the board shall constitute a quorum and the
128 concurrence of votes of one-half of the members of the board shall be
129 necessary for the transaction of business. The board may hold such
130 regular and special meetings as may be advisable at any time upon
131 giving at least twenty-four hours' notice to each member before the
132 time of such meeting. The clerk shall cause to be prepared and filed
133 with the town clerk of each member town a copy of the minutes and
134 records of each meeting held, within two weeks from the date of such
135 meeting.

136 Sec. 2. Section 7-405 of the general statutes is repealed and the
137 following is substituted in lieu thereof (*Effective July 1, 2003*):

138 (a) When annual appropriations have not been made by a
139 municipality before the beginning of any fiscal year, the disbursing
140 officers may make necessary expenditures during the period of ninety
141 days after the beginning of such year on proper warrants for purposes
142 and in amounts authorized by the appropriating body or by the board
143 of finance or other budget-making authority. When annual
144 appropriations have not been made by such municipality before the
145 end of such ninety-day period, the disbursing officers may make
146 necessary expenditures during successive monthly periods in such

147 year on proper warrants for purposes and in amounts authorized by
148 the appropriating body or by the board of finance or other budget-
149 making authority within the limits of appropriations specified in
150 budgetary line items for the previous fiscal year. For this purpose,
151 necessary borrowing may be authorized by resolution of the budget-
152 making authority, provided all such borrowing shall mature and be
153 payable not later than the end of the fiscal year for which such
154 borrowings are made. Any notes so authorized may be issued and sold
155 in the manner provided by such resolution. Such expenditures
156 authorized by this section and interest costs and other expenses
157 incidental to any such borrowing shall constitute the first charges
158 against appropriations for the fiscal year in which they are made.

159 (b) Notwithstanding the provisions of subsection (a) of this section,
160 when an annual budget of a regional school district is not approved by
161 a majority of voters of the member towns of such district before the
162 beginning of any fiscal year, the disbursing officer for each member
163 town of the regional school district shall make expenditures to such
164 district in an amount equal to or greater than the town's appropriation
165 to the district for the previous fiscal year until the regional school
166 district budget is approved pursuant to section 10-51, as amended by
167 this act.

168 Sec. 3. Section 10-51 of the general statutes is repealed and the
169 following is substituted in lieu thereof (*Effective July 1, 2003*):

170 (a) The fiscal year of a regional school district shall be July first to
171 June thirtieth. The approval process of a regional school district budget
172 is as follows:

173 [Except] (1) For any regional school district that has not established
174 a regional board of finance pursuant to section 1 of this act, except as
175 otherwise provided in this subsection, not less than two weeks before
176 the annual meeting held pursuant to section 10-47, as amended by this
177 act, the regional board of education shall hold a public district meeting
178 to present a proposed budget for the next fiscal year. Any person may
179 recommend the inclusion or deletion of expenditures at such time.

180 After the public hearing, the regional board of education shall prepare
181 an annual budget for the next fiscal year, make available on request
182 copies thereof and deliver a reasonable number to the town clerk of
183 each of the towns in the district at least five days before the annual
184 meeting. At the annual meeting on the first Monday in May, the
185 regional board of education shall present a budget which includes a
186 statement of [(1)] (A) estimated receipts and expenditures for the next
187 fiscal year, [(2)] (B) estimated receipts and expenditures for the current
188 fiscal year, [(3)] (C) estimated surplus or deficit in operating funds at
189 the end of the current fiscal year, [(4)] (D) bonded or other debt, [(5)]
190 (E) estimated per pupil expenditure for the current and for the next
191 fiscal year, and [(6)] (F) such other information as is necessary in the
192 opinion of the board. Persons present and eligible to vote under
193 section 7-6 may accept or reject the proposed budget except as
194 provided below. No person who is eligible to vote in more than one
195 town in the regional school district is eligible to cast more than one
196 vote on any issue considered at a regional school district meeting or
197 referendum held pursuant to this section. Any person who violates
198 this section by fraudulently casting more than one vote or ballot per
199 issue shall be fined not less than three hundred dollars or more than
200 five hundred dollars and shall be imprisoned not less than one year or
201 more than two years and shall be disenfranchised. The regional board
202 of education may, in the call to the meeting, designate that the vote on
203 the motion to adopt the budget shall be by paper ballots at the district
204 meeting held on the budget or by a "yes" or "no" vote on the voting
205 machines in each of the member towns on the day following the
206 district meeting. If submitted to a vote by voting machine, questions
207 may be included on the ballot for persons voting "no" to indicate
208 whether the budget is too high or too low, provided the vote on such
209 questions shall be for advisory purposes only and not binding upon
210 the board. Two hundred or more persons qualified to vote in any
211 regional district meeting called to adopt a budget may petition the
212 regional board, in writing, at least three days prior to such meeting,
213 requesting that any item or items on the call of such meeting be
214 submitted to the persons qualified to vote in the meeting for a vote by

215 paper ballot or on the voting machines in each of the member towns on
216 the day following the district meeting and in accordance with the
217 appropriate procedures provided in section 7-7. If a majority of such
218 persons voting reject the budget, the board shall, within four weeks
219 thereafter and upon notice of not less than one week, call a district
220 meeting to consider the same or an amended budget. Such meetings
221 shall be convened at such intervals until a budget is approved. If the
222 budget is not approved before the beginning of a fiscal year, member
223 towns shall make expenditures to the district in an amount equal to or
224 greater than the town's appropriation to the district for the previous
225 fiscal year pursuant to section 7-405, as amended by this act, until the
226 budget is approved. After the budget is approved, the regional board
227 of education shall estimate the share of the net expenses to be paid by
228 each member town in accordance with subsection (b) of this section
229 and notify the treasurer thereof. With respect to adoption of a budget
230 for the period from the organization of the board to the beginning of
231 the first full fiscal year, the board may use [the above] such procedure
232 at any time within such period. If the board needs to submit a
233 supplementary budget, the general procedure specified in this section
234 shall be used.

235 (2) For any regional school district that has established a regional
236 board of finance pursuant to section 1 of this act, except as otherwise
237 provided in this subsection, not less than two weeks before the annual
238 meeting held pursuant to section 10-47, as amended by this act, the
239 regional board of finance shall hold a public district meeting at which
240 itemized estimates of the expenditures of the regional board of
241 education for the ensuing fiscal year shall be presented and at which
242 all persons shall be heard in regard to any appropriation which they
243 are desirous that the regional board of finance should recommend or
244 reject. The regional board of finance shall, after such public hearing,
245 hold a public meeting at which it shall consider the estimates so
246 presented and any other matters brought to its attention and shall
247 prepare and cause to be published in a newspaper in the member
248 towns of such regional school district, if any, otherwise in a newspaper
249 having a substantial circulation in such towns, a report of a proposed

250 budget for the next fiscal year. The regional board of finance shall
251 make available, on request, copies of the proposed budget and deliver
252 a reasonable number to the town clerk of each of the member towns of
253 the district at least five days before the annual meeting. At the annual
254 meeting on the first Monday or first Tuesday in May, the regional
255 board of finance shall present an aggregate budget which includes a
256 statement of (A) estimated receipts and expenditures for the next fiscal
257 year, (B) estimated receipts and expenditures for the current fiscal
258 year, (C) estimated surplus or deficit in operating funds at the end of
259 the current fiscal year, (D) bonded or other debt, (E) estimated per
260 pupil expenditure for the current and for the next fiscal year, and (F)
261 such other information as is necessary in the opinion of the board.
262 Persons present and eligible to vote under section 7-6 may accept or
263 reject the proposed budget except as provided in this subdivision. No
264 person who is eligible to vote in more than one town in the regional
265 school district is eligible to cast more than one vote on any issue
266 considered at a regional school district meeting or referendum held
267 pursuant to this section. Any person who violates this section by
268 fraudulently casting more than one vote or ballot per issue shall be
269 fined not less than three hundred dollars nor more than five hundred
270 dollars and shall be imprisoned not less than one year nor more than
271 two years and shall be disenfranchised. The regional board of finance
272 may, in the call to the meeting, designate that the vote on the motion to
273 adopt the budget shall be by paper ballots at the district meeting held
274 on the budget or by a "yes" or "no" vote on the voting machines in each
275 of the member towns on the day following the district meeting. If
276 submitted to a vote by voting machine, questions may be included on
277 the ballot for persons voting "no" to indicate whether the budget is too
278 high or too low, provided the vote on such questions shall be for
279 advisory purposes only and not binding upon the board. Two hundred
280 or more persons qualified to vote in any regional district meeting
281 called to adopt a budget may petition the regional board of finance, in
282 writing, at least three days prior to such meeting, requesting that any
283 item or items on the call of such meeting be submitted to the persons
284 qualified to vote in the meeting for a vote by paper ballot or on the

285 voting machines in each of the member towns on the day following the
286 district meeting and in accordance with the appropriate procedures
287 provided in section 7-7. If a majority of such persons voting reject the
288 budget, the regional board of finance shall, within four weeks
289 thereafter and upon notice of not less than one week, call a meeting to
290 consider the same or an amended budget. Such meetings shall be
291 convened at such intervals until a budget is approved. If the budget is
292 not approved before the beginning of a fiscal year, member towns shall
293 make expenditures to the district in an amount equal to or greater than
294 the town's appropriation to the district for the previous fiscal year
295 pursuant to section 7-405, as amended by this act, until the budget is
296 approved. After the budget is approved, the regional board of finance
297 shall estimate the share of the net expenses to be paid by each member
298 town in accordance with subsection (b) of this section and notify the
299 treasurer of such estimate. With respect to adoption of a budget for the
300 period from the organization of the regional board of finance to the
301 beginning of the first full fiscal year, the regional board of finance may
302 use such procedure at any time within such period. If the regional
303 board of finance needs to submit a supplementary budget, the general
304 procedure specified in this section shall be used. Nothing in this
305 subsection shall be construed as authorizing the regional board of
306 finance to make line-item changes to the budget.

307 (b) For the purposes of this section, "net expenses" means estimated
308 expenditures, including estimated capital expenditures, less estimated
309 receipts as presented in a regional school district budget. On the date
310 or dates fixed by the [board] regional board of education, each town in
311 the district shall pay a share of the cost of capital outlay, including
312 costs for school building projects under chapter 173, and current
313 expenditures necessary for the operation of the district. The [board]
314 regional board of education shall determine the amount to be paid by
315 each member town. Such amount shall bear the same ratio to the net
316 expenses of the district as the number of pupils resident in such town
317 in average daily membership in the regional school district during the
318 preceding school year bears to the total number of such pupils in all
319 the member towns, provided that the [board] regional board of

320 education may recalculate such amount based on the number of pupils
321 in average daily membership in the regional school district for the
322 current school year and may adjust each member town's payment to
323 the regional school district for the following fiscal year by the
324 difference between the last such payment and the recalculated amount.
325 Until the regional school district has been in operation for one year,
326 such amounts shall be based on the average daily membership of
327 pupils in like grades from each of such towns at any school at which
328 children were in attendance at the expense of such towns during the
329 preceding school year.

330 (c) The [board] regional board of education shall deposit or invest
331 temporarily any funds which are not needed immediately for the
332 operation of the school district as permitted in section 7-400 or 7-402.
333 Any income derived from such deposits or investments shall be used
334 at least semiannually to reduce the net expenses. The [board] regional
335 board of education shall use any budget appropriation which has not
336 been expended by the end of the fiscal year to reduce the net expenses
337 of the district for the following fiscal year. The [board] regional board
338 of education may borrow funds temporarily and issue notes or other
339 obligations, and pay interest thereon, in anticipation of payments to be
340 made to it by a member town or the state, for the operation of its
341 schools. Such notes or obligations shall be authorized by resolution of
342 the [board] regional board of education, and shall be general
343 obligations of the regional school district and its member towns. The
344 date, maturity, interest rate, form, manner of sale and other terms of
345 such notes or other obligations shall be determined by the [board]
346 regional board of education or any officer or body to whom the [board]
347 regional board of education delegates authority to make such
348 determinations. Such notes may be renewed from time to time,
349 provided all such notes shall mature and be payable no later than the
350 end of the fiscal year during which such member town or state
351 payments are payable.

352 (d) Upon the recommendation and the approval of a majority of
353 members on the [board, a] regional board of education, such board

354 may create a reserve fund to finance a specific capital improvement or
355 the acquisition of any specific piece of equipment. Such fund shall
356 thereafter be termed "reserve fund for specific capital improvements or
357 equipment purchases". No annual appropriation to such fund shall
358 exceed one per cent of the annual district budget. Appropriations to
359 such fund shall be included in the share of net expenses to be paid by
360 each member town. The [board] regional board of education shall
361 annually submit a complete and detailed report of the condition of
362 such fund to the member towns, or the regional board of finance, if
363 applicable.

364 (e) The amount of expenditures by the regional board of education
365 shall not exceed more than one-quarter of one per cent of the district's
366 budget unless approved by a majority of voters of the member towns.

367 Sec. 4. (NEW) (*Effective July 1, 2003*) (a) Each regional board of
368 education shall prepare an itemized estimate of the cost of
369 maintenance of public schools for the ensuing year and shall submit
370 such estimate to the regional board of finance in each district having
371 such a board not later than two months preceding the annual meeting
372 of the regional board of finance. The money appropriated by any
373 member town of a regional school district for the maintenance of
374 public schools shall be expended by and in the discretion of the
375 regional board of education. Except as provided in this subsection, any
376 such regional board of education may transfer any unexpended or
377 uncontracted-for portion of any appropriation for school purposes to
378 any other item of such itemized estimate, provided at the time of such
379 transfer the regional board of education shall report, as part of the
380 public record, a detailed written statement for each such transfer
381 including, but not limited to, (1) the reason for the transfer, (2) an
382 identification of the line item account and the dollar amount that funds
383 are being transferred from and to, (3) the intended use of the funds if
384 the transfer is approved, and (4) the fiscal impact on the line item
385 account that funds are being transferred from. Regional boards of
386 education may, by adopting policies and procedures, authorize
387 designated personnel to make limited transfers under emergency

388 circumstances if the urgent need for the transfer prevents the regional
389 board of education from meeting in a timely fashion to consider such
390 transfer. All transfers made in such instances shall be announced at the
391 next regularly scheduled meeting of the regional board of education.
392 Expenditures by the regional board of education shall not exceed the
393 appropriation made by the member towns, with such money as may
394 be received from other sources for school purposes except as provided
395 for by subsection (e) of section 10-51 of the general statutes, as
396 amended by this act. The annual report of the regional board of
397 education shall, in accordance with subsection (b) of this section,
398 include a summary showing (A) the total cost of the maintenance of
399 schools, (B) the amount received from the state and other sources for
400 the maintenance of schools, (C) the net cost to the municipality of the
401 maintenance of schools, and (D) the reason for any transfer of funds
402 made pursuant to this subsection, including the identification of the
403 line item account and dollar amount that funds are being transferred to
404 and from, the identified use of the funds if the transfer is approved,
405 and the fiscal impact on the line item account that funds are being
406 transferred from. At the end of each fiscal year, the regional board of
407 education shall summarize the number and types of fiscal transfers
408 made, the aggregate amount transferred to and from each account and
409 the impact of such transfers. For purposes of this subsection, "meeting"
410 means a meeting, as defined in section 1-200 of the general statutes.

411 (b) The secretary of the regional board of education shall keep a
412 record of all its proceedings in a book which such secretary shall
413 provide for that purpose at the expense of the member towns and shall
414 submit to the member towns at such towns' annual meetings a report
415 of the actions of the regional board of education. The report of the
416 secretary and of the superintendent of schools shall be printed with the
417 reports of the member towns' officers. The superintendent of schools
418 shall report to the Commissioner of Education such returns and
419 statistics respecting the schools of the regional school district as the
420 commissioner requests.

421 Sec. 5. Section 10-47 of the general statutes is repealed and the

422 following is substituted in lieu thereof (*Effective July 1, 2003*):

423 Regional boards of education shall have all the powers and duties
424 conferred upon boards of education by the general statutes not
425 inconsistent with the provisions of this part. Such boards may
426 purchase, lease or rent property for school purposes and, as part of the
427 purchase price may assume and agree to pay any bonds or other
428 capital indebtedness issued by a town for any land and buildings so
429 purchased; shall perform all acts required to implement the plan of the
430 committee for the transfer of property from the participating towns to
431 the regional school district and may build, add to or equip schools for
432 the benefit of the towns comprising the district. Such boards may
433 receive gifts of real and personal property for the purposes of the
434 regional school districts. [The] In a district without a regional board of
435 finance, the regional [school district] board of education's annual
436 meeting [shall be the district meeting] at which the annual budget is
437 first presented for adoption [and] shall be held the first Monday or the
438 first Tuesday in May. [The boards] In a district with a regional board of
439 finance, the regional school district annual meeting at which the
440 budget is presented for adoption shall be held the first Monday or first
441 Tuesday in May. Regional boards of education may convene special
442 district meetings when they deem it necessary. District meetings shall
443 be warned and conducted in the same manner as are town meetings.
444 For such purposes, the chairperson of the board shall have the duties
445 of the board of selectmen and the secretary shall have the duties of the
446 town clerk.

447 Sec. 6. (NEW) (*Effective July 1, 2003*) All reports or returns, in any
448 respect concerning regional school board finances or the reception or
449 disbursement of public funds, made by treasurers of regional boards of
450 education, regularly in the line of their respective official duties, to any
451 body, meeting or committee acting in a public capacity, shall be
452 verified by the oath of the person making the same. Any person who
453 so verifies any return or report, known to such person to be false in
454 fact, or which in any material respect intentionally suppresses or
455 conceals the truth, shall be subject to the penalty provided for false

456 statement.

457 Sec. 7. Subsection (a) of section 10-47b of the general statutes is
458 repealed and the following is substituted in lieu thereof (*Effective July*
459 *1, 2003*):

460 (a) Except as provided in subsection (b) of this section, any regional
461 board of education [in a school district which does not include all
462 elementary and secondary school grades] may recommend a study of
463 the advisability of the addition to or withdrawal of grades from the
464 regional school district or, upon the request of two or more of the town
465 boards of education of the member towns, shall recommend such a
466 study to the chairmen of the town boards of education and chairmen
467 of the boards of finance or other such fiscal authorities in each town
468 affected. Within thirty days of receipt of such recommendation, such
469 chairmen shall each appoint one of the members of their boards and
470 the chairman of the regional board of education shall appoint one
471 member of the regional board from each member town to a study
472 committee. The Commissioner of Education shall appoint a consultant
473 to the study committee. The study committee shall proceed in the same
474 manner as the temporary regional school study committee except that
475 the expenses of the committee shall be borne by the regional school
476 district and shall not exceed three dollars times the number of pupils
477 in average daily membership of such town and regional school
478 districts, as defined in section 10-261, and the committee shall submit
479 its report to the participating towns no later than one year from the
480 date of its organizational meeting. If the committee recommends a
481 plan for addition to or withdrawal of grades from the regional school
482 district and the referenda held in the manner provided in section 10-45
483 result in an affirmative vote in the regional school district as a whole,
484 the participating towns shall implement the plan.

485 Sec. 8. (NEW) (*Effective July 1, 2003*) The State Board of Education
486 shall periodically perform quality reviews of selected audits of
487 regional school districts conducted pursuant to chapters 55b and 111 of
488 the general statutes. Such reviews shall include, but not be limited to,

489 an examination of the audit firm's system of quality control for its
490 auditing practice to determine whether such system was designed in
491 accordance with standards set forth by sections 7-394a and 4-233 of the
492 general statutes and whether the firm complied with its quality control
493 policies and procedures.

494 Sec. 9. Section 7-395 of the general statutes is repealed and the
495 following is substituted in lieu thereof (*Effective July 1, 2003*):

496 The secretary, or the State Board of Education in the case of a
497 regional school district, shall review each audit report filed with said
498 secretary or the State Board of Education, if applicable, as provided in
499 section 7-393, except said secretary or the State Board of Education, if
500 applicable, shall review the audit reports on each audited agency
501 biennially and may review the audit reports on any municipality or
502 regional school district biennially, provided such secretary shall, or the
503 State Board of Education, if applicable, in any year in which [he] such
504 secretary or the State Board of Education, if applicable, does not
505 review the report of any such municipality or regional school district,
506 review the comments and recommendations of the independent
507 auditor who made such audit. If, upon such review of the audit report,
508 evidence of fraud or embezzlement is found, [he] such secretary or the
509 State Board of Education, if applicable, shall report such information to
510 the state's attorney for the judicial district in which such municipality,
511 regional school district or audited agency is located. If, in the review of
512 such audit report said secretary or the State Board of Education, if
513 applicable, finds that such audit has not been prepared in compliance
514 with the provisions of subsection (a) of section 7-394a, or said secretary
515 or the State Board of Education, if applicable, finds evidence of any
516 unsound or irregular financial practice in relation to commonly
517 accepted standards in municipal finance, said secretary or the State
518 Board of Education, if applicable, shall prepare a report concerning
519 such finding, including necessary details for proper evaluation of such
520 finding and recommendations for corrective action and shall refer such
521 report to the Municipal Finance Advisory Commission established
522 under section 7-394b. A copy of such report shall be filed with: (1) The

523 chief executive officer of such municipality or audited agency or the
524 superintendent of such school district and, in the case of a town, city or
525 borough, with the clerk of such town, city or borough; and (2) the
526 Auditors of Public Accounts.

527 Sec. 10. Subsection (a) of section 7-394b of the general statutes is
528 repealed and the following is substituted in lieu thereof (*Effective July*
529 *1, 2003*):

530 (a) There is established a Municipal Finance Advisory Commission
531 which shall (1) review and submit any recommendations as may be
532 deemed appropriate with respect to any regulations concerning the
533 provisions of section 7-394a, submitted by the Secretary of the Office of
534 Policy and Management, or the State Board of Education for a regional
535 school district, for purposes of such review, and (2) work with any
536 municipality or regional school district referred to it pursuant to the
537 provisions of section 7-395, to improve the fiscal condition of such
538 municipality or regional school district. Upon receipt of the secretary's
539 report, or the State Board of Education's report in the case of a regional
540 school district, pursuant to said section 7-395, the commission shall, in
541 determining the level of financial distress of such municipality or
542 regional school district, review audits, budgets, accounting and fiscal
543 management practices and any other information relevant to the
544 municipality's or regional school district's fiscal condition. The
545 commission may require the chief executive officer of the municipality
546 or the regional board of education to (A) provide such information and
547 appear before the commission to discuss the financial condition of the
548 municipality or regional school district and the implementation of
549 remedial measures to improve its financial condition, and (B) submit a
550 written report to the commission on implementation of the
551 recommendations of the commission and other remedial measures. If a
552 chief executive officer of a municipality or regional board of education
553 fails to provide the information requested or submit the report within
554 thirty days of the request, the commission may assess a civil penalty of
555 not less than one thousand but not more than ten thousand dollars on
556 the municipality or regional board of education. If a chief executive

557 officer of a municipality or regional board of education upon whom a
558 penalty has been imposed submits a request, the secretary may waive
559 all or a portion of such penalty if [he] the secretary determines that a
560 reasonable cause exists for not having provided the requested
561 information or report. The secretary may, as a condition of such
562 waiver, require compliance by a date set by the secretary. Reports
563 generated pursuant to this subsection concerning a regional school
564 district shall be filed with each member town's board of selectmen and
565 board of finance, if applicable.

566 Sec. 11. Subsection (a) of section 4-235 of the general statutes is
567 repealed and the following is substituted in lieu thereof (*Effective July*
568 *1, 2003*):

569 (a) The secretary shall designate cognizant agencies for audits
570 conducted pursuant to sections 4-230 to 4-236, inclusive, except that, in
571 the case of a regional school district, the cognizant agency shall be the
572 State Board of Education.

573 Sec. 12. Section 7-396 of the general statutes is repealed and the
574 following is substituted in lieu thereof (*Effective July 1, 2003*):

575 (a) The [regional board of education and] appointing authority of
576 any municipality or audited agency shall file with the Secretary of the
577 Office of Policy and Management the name of the independent
578 auditor, designated to audit the financial statements of the [regional
579 school district,] municipality, or audited agency, at least thirty days
580 before the end of the fiscal period of such [regional school district,]
581 municipality, or audited agency for which such audit is required. If
582 any such appointing authority fails to notify the secretary of such
583 designation before such thirty-day period, said secretary may appoint
584 any independent auditor to audit the accounts of such [regional school
585 district,] municipality or audited agency, and the cost and expense of
586 such audit shall be borne by such [regional school district,]
587 municipality or audited agency.

588 (b) The State Board of Education shall regularly solicit competitive

589 proposals from qualified and licensed auditing firms to perform
590 annual audits for regional school districts and shall randomly assign
591 the firms to regional school districts. The audit firms shall be rotated at
592 least every three years among the regional school districts.

593 Sec. 13. Subsection (a) of section 4-232 of the general statutes is
594 repealed and the following is substituted in lieu thereof (*Effective July*
595 *1, 2003*):

596 (a) (1) Each nonstate entity which is required to be audited pursuant
597 to sections 4-230 to 4-236, inclusive, shall designate an independent
598 auditor to conduct such audit. Not later than thirty days before the end
599 of the fiscal period for which the audit is required, the nonstate entity
600 shall file the name of such auditor with the cognizant agency. If a
601 nonstate entity fails to make such filing, the cognizant agency may
602 designate an independent auditor to conduct the audit.

603 (2) Notwithstanding the provisions of subdivision (1) of this
604 subsection, an auditor for a regional school district shall be selected
605 pursuant to subsection (b) of section 7-396, as amended by this act.

606 Sec. 14. Subsection (c) of section 7-392 of the general statutes is
607 repealed and the following is substituted in lieu thereof (*Effective July*
608 *1, 2003*):

609 (c) In conjunction with each audit of its financial statements, each
610 town shall provide for the auditing of the financial statements of each
611 school district operating within its boundaries. In the case of a regional
612 school district, the regional board of education shall provide for such
613 an audit, in accordance with subsection (b) of section 7-396, as
614 amended by this act. Audits performed for regional school districts
615 pursuant to chapter 111 shall contain a written management letter, in
616 accordance with regulations adopted by the State Board of Education
617 in accordance with the provisions of chapter 54. Said board shall
618 determine when such a letter is necessary and define the items that
619 should be contained in the management letter which shall include, but
620 not be limited to, issues identified by the auditor during the course of

621 the audit that do not rise to the level of a reportable condition, but
 622 indicate deficiencies with internal controls, interfund transactions,
 623 reserves or financial documentation.

| | |
|--|---------------------|
| This act shall take effect as follows: | |
| Section 1 | <i>July 1, 2003</i> |
| Sec. 2 | <i>July 1, 2003</i> |
| Sec. 3 | <i>July 1, 2003</i> |
| Sec. 4 | <i>July 1, 2003</i> |
| Sec. 5 | <i>July 1, 2003</i> |
| Sec. 6 | <i>July 1, 2003</i> |
| Sec. 7 | <i>July 1, 2003</i> |
| Sec. 8 | <i>July 1, 2003</i> |
| Sec. 9 | <i>July 1, 2003</i> |
| Sec. 10 | <i>July 1, 2003</i> |
| Sec. 11 | <i>July 1, 2003</i> |
| Sec. 12 | <i>July 1, 2003</i> |
| Sec. 13 | <i>July 1, 2003</i> |
| Sec. 14 | <i>July 1, 2003</i> |

Statement of Legislative Commissioners:

In section 14, changed language concerning guidelines to regulations in conformance with the general statutes.

PRI *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Type | FY 04 \$ | FY 05 \$ |
|----------------------|-----------|----------|----------|
| Education, Dept. | GF - Cost | 75,000 | 75,000 |
| Policy & Mgmt., Off. | GF - None | None | None |

Note: GF=General Fund

Municipal Impact:

| Municipalities | Effect | FY 04 \$ | FY 05 \$ |
|------------------------|--------|-----------|-----------|
| Various Municipalities | Cost | Potential | Potential |

Explanation

This bill results in a cost of \$75,000 to the State Department of Education (SDE). This cost is the result of being required to do periodic quality reviews of selected regional school districts formerly performed by the Office of Policy and Management (OPM). Currently SDE does not have the staff to perform such reviews and would need one additional position to fulfill the audit requirements.

The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The total fringe benefit reimbursement rate as a percentage of payroll is 40.21%, effective July 1, 2002. However, first year fringe benefit costs for new positions do not include pension costs lowering the rate to 18.81% in FY 03. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System.

Currently OPM is required to review audits filed under the Municipal Auditing Act. Since there is only a minimal reduction in the number of audits that OPM will no longer have to perform there is no

anticipated savings within this agency

Municipalities that are members of regional school districts will incur costs to hold public hearings on the proposed creation of a regional finance board and hold a referendum.

The extent of the costs to municipalities to hold a referendum depends on the population of the town, and whether the referendum is submitted to electors at a regular election or at a special election. The cost for a referendum at a regular election is minimal, relating to the printing of referendum ballots and associated referendum signage. The cost to conduct a referendum at a special election varies by town population. Small towns, which most towns that are members of regional school districts are, can hold a referendum for as little as \$1,000.

All other portions of the bill are technical and/or have no fiscal impact.

OLR Bill Analysis

sSB 1034

AN ACT CONCERNING REGIONAL SCHOOL DISTRICT GOVERNANCE**SUMMARY:**

This bill allows regional boards of education to create regional boards of finance to oversee the regional school district budget process. It specifies procedures for regional school district budget approval and adoption, and allows for regional school district expenditures in the absence of a budget. The bill makes regional boards of education accountable for their expenditures and allows any regional board of education to recommend studying the addition or withdrawal of certain grades from the district. The bill also contains several provisions regarding regional school district audits, including granting the State Board of Education considerable oversight over the audit process and results.

EFFECTIVE DATE: July 1, 2003

REGIONAL BOARD OF FINANCE***Petition Process***

The bill allows a town that is a member of a regional school district, in accordance with a vote of its legislative body, to petition the regional board of education to hold a public district meeting about establishing a regional board of finance to oversee the regional school district budget process. The bill requires holding the meeting no more than 30 days after the petition is received, and everyone who wants to speak about a possible regional board of finance to be heard. The bill gives the school board up to 30 days after the meeting to set a date for simultaneous referenda in all of the member towns, and it must immediately notify each member town's clerk of the date. The referenda must be held within 45 to 75 days after the petition date.

The bill requires each town clerk, upon receiving notice of the referenda, immediately to file with the secretary of the state a statement setting forth (1) the question to appear on voting machine

ballot labels at the referenda, (2) the date of the submitting action, and (3) a reference to the law under which the action was taken. The bill requires publishing a warning of the referenda, taking the vote, and canvassing and declaring the vote results in the same manner as provided for electing a town's officers.

The bill prohibits member towns from petitioning their regional board of education more than once per year to establish a regional finance board.

Referenda

The bill requires taking the vote on a regional finance board by a "yes" and "no" vote on the voting machine and the question on the voting machine ballot label to read, "Shall a regional board of finance be established on [specified date]?" The bill prohibits the establishment date from being later than 10 days after the referenda date. A regional board of finance must be established if a majority of the votes in each member town is affirmative.

The bill requires each member town's clerk to record a certificate of the vote results in his office and to file a certified copy with the secretary of the state's office for recording there.

Regional Finance Board Empowerment and Abolition

The bill specifies that a newly created regional board of finance is empowered with rights and powers, such as auditing and budgeting, and charged with duties and obligations from the moment it is established. The bill allows a regional school district's member towns to abolish the finance board by a majority vote after it has existed for at least two years.

Regional Finance Board Membership

Within 10 days after the vote creating the regional finance board, the bill requires each member town's board of finance or other fiscal authority to appoint members to serve a two-year term on the regional finance board. The bill specifies that members of the regional finance board come from among the members of each town's finance board or other fiscal authority and their terms coincide with the members' terms on their respective local finance boards or other fiscal authorities. If a

member's term on the local board expires before the end of two years, his term on the regional finance board will expire at the same time. The bill requires each member town to appoint the same number of members to the regional finance board as the district's other member towns. It requires each town's members' voting power to be weighted in the proportion that each town's population bears to the entire district's population and to be subject to reapportionment.

The bill dictates a regional finance board's membership structure: (1) for a regional school district with two member towns, the board has six members, three from each town, and one from each town must be from the minority party; (2) for a regional school district with three member towns, the board is composed of nine members, three from each town, and one from each town from the minority party; (3) for a regional school district with four member towns, the board is made up of 12 members, three from each town, and one from each town must be from the minority party; and (4) for a regional school district with six member towns, the board consists of 12 members, two from each town, and one from each town from the minority party.

The bill clarifies that a person will be considered a member of the political party on whose enrollment list his name appears on the date he is appointed to the regional finance board. For a person who has applied to have his name erased or transferred from an enrollment list, the bill specifies that he continues to be considered a member of the party from whose list he wants erasure or transfer for three months from the date of application.

Vacancies and Alternates

If there is a vacancy on the regional finance board, unless a charter provision or special act provides otherwise, the bill requires the original appointing authority to appoint a successor for the remaining portion of the term. The bill gives member towns the power to provide by ordinance to appoint up to three alternate members to the regional board of finance, subject to the political party requirement. These members must be electors and members of the town, and when seated have all the powers and duties conferred on regular board members. If a regular member of the board is absent or is disqualified, the bill directs that member to designate an alternate to act for him. If he fails or refuses to designate an alternate, the bill authorizes the majority of the regular members of the local finance board or other

fiscal authority not absent or disqualified to designate an alternate.

Board Meetings

The bill requires that regional finance board members swear to faithfully perform their duties. It prohibits them from receiving compensation for their service on the board, but requires the member towns to pay the board's necessary expenses, if approved. The bill requires the regional finance board to choose one of its members to be the board's chairperson and to choose a clerk. If the officers are not chosen within a month after the board's appointment because there is a tie, the bill requires the member towns' boards of selectmen or chief executive officers to choose the officers from the board's membership. The bill specifies that two-thirds of the board's members will constitute a quorum, and the concurring votes of one-half of the board's members is necessary for business to be transacted.

The bill allows the board to hold regular and special meetings at any time, as needed, as long as it gives at least 24 hours' notice to each member before the meeting. The board's clerk must prepare and file with each member town's clerk a copy of every meeting's minutes and records within two weeks after the meeting.

REGIONAL SCHOOL DISTRICT BUDGET

Expenditures Without a Budget

The bill creates a new provision for regional school district expenditures in the absence of a budget. When a regional school district's budget is not approved by a majority of voters in the member towns before the beginning of the fiscal year, the bill directs the disbursing officer for each member town to make expenditures to the district in an amount equal to or greater than the town's appropriation to the district for the previous fiscal year until the budget is approved.

Regional School District Budget Approval and Adoption

The bill creates a budget approval process for regional school districts with regional finance boards that is largely the same as the existing regional school district procedure. For districts with a regional finance board, the bill requires that board to hold a public district meeting at least two weeks before the regional school board's annual meeting. At the regional finance board's meeting, itemized estimates of the

regional board of education's expenditures for the coming fiscal year must be presented, and any person who wants to speak about an appropriation he wants the finance board to accept or reject must be heard. After the public hearing, the bill requires the finance board to hold a public meeting to consider the estimates presented and any other matters brought to its attention (it is unclear if this hearing is part of, or separate from, the meeting referenced above). The bill also requires the finance board to publish a report of the proposed budget for the next fiscal year in a newspaper in the district's member towns, if one exists, or else in a newspaper with substantial circulation in those towns. The bill requires the regional finance board to make copies of the budget available upon request and deliver a reasonable number to each member town's clerk at least five days before the annual meeting.

At the annual meeting, to be held on the first Monday or Tuesday in May, the bill requires the regional finance board to present an aggregate budget that includes a statement of (1) estimated receipts and expenditures for the next fiscal year, (2) estimated receipts and expenditures for the current fiscal year, (3) estimated surplus or deficit in operating funds at the end of the current fiscal year, (4) bonded or other debt, (5) estimated per-pupil expenditures for the current and next fiscal year, and (6) other information the board considers necessary. People present and eligible to vote can accept or reject the proposed budget. The bill prohibits people who are eligible to vote in more than one town in the regional school district from casting more than one vote on any issue considered at a regional school district meeting or referendum. Anyone who violates this provision by fraudulently casting more than one vote or ballot per issue will be fined between \$300 and \$500, imprisoned for one to two years, and disenfranchised.

The bill allows the regional board of finance, in the meeting call, to designate that the vote on the motion to adopt the budget be by paper ballots at the district meeting on the budget or by a "yes" or "no" vote on the voting machines in each member town on the day after the district meeting. If submitted to a vote by voting machine, the bill allows questions to be included on the ballot for people voting "no" to indicate whether the budget is too high or too low, but specifies that the vote on those questions is advisory only and not binding on the board. The bill permits 200 or more people qualified to vote in a regional district meeting called to adopt a budget to petition the

regional board of finance, in writing, at least three days before the meeting, to request that the items on the call of the meeting be submitted to the qualified voters for a vote by paper ballot or on each town's voting machines on the day after the meeting. If a majority of the people voting reject the budget, the regional board of finance must, within four weeks and with at least one week's notice, call a meeting to consider the same or an amended budget. The bill requires convening meetings at these intervals until a budget is approved.

If the budget is not approved before the fiscal year begins, the bill requires member towns to make expenditures to the district in an amount equal to or greater than the town's appropriation to the district for the previous fiscal year until the budget is approved. After the budget is approved, the regional board of finance must estimate the share of net expenses each member town must pay and notify the treasurer of the estimate. The bill allows the board to use the adoption procedure at any time to adopt a budget for the period between its organization and the beginning of its first full fiscal year of operation. If the regional finance board needs to submit a supplementary budget, the bill requires it to use the general budget adoption procedure. The bill specifies that the budget approval and adoption process does not allow a regional finance board to make line-item changes to the budget.

The bill prohibits a regional board of education from spending more than .25% over the district's budget unless a majority of the voters in the member towns approve the expenditure.

REGIONAL BOARD OF EDUCATION EXPENDITURES

The bill requires regional boards of education to prepare itemized cost estimates for public schools for the coming year and submit them to the regional board of finance, if one exists, no later than two months before the finance board's annual meeting. It specifies that the money any member town appropriates for public schools must be expended by the regional board of education, in its discretion. The bill allows a regional board of education to transfer any unexpended or uncontracted-for portion of an appropriation for school purposes to any other item on the itemized estimate, as long as at the time of the transfer it reports, as part of the public record, a detailed written statement for each transfer, including (1) the reason for the transfer; (2) the line item account and dollar amount the funds are being

transferred from and to; (3) the funds' intended use, if the transfer is approved; and (4) the fiscal impact on the line item account from which funds are being transferred. The bill also permits regional boards of education to adopt policies and procedures authorizing designated personnel to make limited transfers under emergency circumstances if the urgent need for the transfer prevents the regional board of education from meeting in a timely fashion to consider it. All transfers in these instances must be announced at the regional board of education's next regularly scheduled meeting.

The bill prohibits regional boards of education from spending more than the appropriation their member towns make and money they receive from other sources, unless a majority of the voters in the member towns approve the expenditure. The bill requires regional boards of education to include in their annual report a summary showing (1) the total cost of schools; (2) the amount received from the state and other sources; (3) the net cost to the municipality (it appears this should be "to the regional school district"); and (4) the reason for any transfer of funds, including identifying the line item account and dollar amount that funds are being transferred to and from, the identified use of the funds if the transfer is approved, and the fiscal impact on the line item account from which funds are being transferred. At the end of each fiscal year, the bill directs regional boards of education to summarize the number and types of fiscal transfers made, the aggregate amount transferred to and from each account, and the transfers' impact.

The bill requires each regional board of education's secretary to keep a record of the board's proceedings in a book that the secretary provides, at the member towns' expense, and submit to the member towns at their annual meetings a report of the regional board of education's actions. The bill also requires printing the secretary's and the school superintendent's reports with the member towns' officers' reports. It further directs the school superintendent to report to the education commissioner any regional school district returns and statistics that the commissioner requests.

REGIONAL BOARD OF EDUCATION TREASURER'S DUTY

The bill requires regional board of education treasurers to verify by oath all reports or returns concerning regional school board finances or the receipt or disbursement of public funds that they make regularly in

the course of their official duties to any body, meeting, or committee acting in a public capacity. If a person verifies a return or report under oath but knows it is false in fact, or intentionally suppresses or conceals the truth, the bill makes him subject to the penalty for false statement.

ADDITION OR WITHDRAWAL OF GRADES

Current law allows regional boards of education in school districts that do not include all elementary and secondary school grades to recommend a study of the advisability of adding to or withdrawing grades from the district or, upon the request of two or more member towns' boards of education, recommend such a study to the chairmen of the affected member towns' boards of education and boards of finance. The bill removes the restriction that this provision apply only to districts that do not include all elementary and secondary school grades, and allows any regional board of education to recommend such a study.

AUDITS

The bill requires the State Board of Education (SBE) periodically to perform quality reviews of selected regional school district audits. It requires these reviews to include (1) an examination of the audit firm's quality control system for its auditing practice to determine whether the system was designed in accordance with statutory standards and (2) whether the firm complied with its quality control policies and procedures.

Current law requires the secretary of the Office of Policy and Management (OPM) to review the audits filed with him under the Municipal Auditing Act. The bill requires SBE, instead of the OPM secretary, to review the audits filed by regional school districts. Current law also requires the Municipal Finance Advisory Commission to (1) review and submit recommendations regarding auditing regulations that the OPM secretary submits to it and (2) work with municipalities that the OPM secretary refers to it to improve their fiscal condition. The bill applies the same provisions to regional school districts, so that the Municipal Finance Advisory Commission must also (1) review and submit recommendations regarding auditing regulations that SBE submits to it for regional school districts, and (2) work with regional school districts that SBE refers to it to improve

their fiscal condition.

The bill subjects regional school districts and regional boards of education to additional Municipal Finance Advisory Commission provisions already applicable to municipalities. If the commission requires a regional board of education to submit a report concerning a regional school district, the bill requires filing the report with each member town's board of selectmen and board of finance, if applicable.

Current law directs the OPM secretary to designate cognizant agencies for single audits and program-specific audits for state financial assistance recipients. The bill makes SBE the cognizant agency for a regional school district. Current law requires a regional board of education and appointing authority of any municipality or audited agency to file with the OPM secretary the name of the independent auditor who will audit their financial statements at least 30 days before the end of the district, municipality, or agency's fiscal period for which the audit is required. The bill eliminates this provision's application to regional school districts, and instead creates a new provision requiring SBE (1) regularly to solicit competitive proposals from qualified and licensed auditing firms to perform annual audits for regional school districts and (2) randomly assign firms to the districts. It also requires the audit firms to rotate at least every three years among the regional school districts.

The bill requires audits performed for regional school districts under the Municipal Auditing Act to contain a written management letter in accordance with SBE regulations. It authorizes SBE to determine when a management letter is necessary, and define the items to be contained in it, which the bill states must include issues the auditor identifies during the course of the audit that do not rise to the level of a reportable condition but indicate deficiencies with internal controls, interfund transactions, reserves, or financial documentation.

COMMITTEE ACTION

Program Review and Investigations Committee

Joint Favorable Substitute

Yea 11 Nay 0